Acklands Limited
Annual Report
1970

ACKLANDS LIMITED and subsidiary companies

Highlights

	1970	1969
Sales	$128,338,567	$134,900,759
EARNINGS FOR THE YEAR		
Including extraordinary items	(3,310,190)	3,158,436
Before extraordinary items	(3,357,589)	1,479,556
WORKING CAPITAL	26,227,531	31,599,765
FIXED ASSETS, net	14,071,648	13,118,526
LONG-TERM DEBT	18,167,639	18,650,778
SHAREHOLDERS' EQUITY	22,565,827	26,666,576
Total assets	76,982,258	87,867,565
DIVIDENDS PAID		
Preference shareholders	411,881	411,214
Common shareholders	381,558	356,615
EARNINGS PER SHARE (see notes)		
Including extraordinary items	(1.51)	1.11
Before extraordinary items	(1.53)	.43
DIVIDENDS PAID PER COMMON SHARE	.24	.24
Equity per share (COMBINED COMMON AND THIRD PREFERENCE SHARES)	6.36	8.02
NUMBER OF BRANCHES	191	211

Notes

1. The calculation of basic earnings per share has been made using the weighted monthly average number of common and third preference shares outstanding in each year and the net income of the company, both before and including extraordinary items, and after first and second preference share dividends.

2. Fully diluted figures are not presented since contingent share issuances would not increase the loss per share.

ACKLANDS LIMITED and subsidiary companies

DIRECTORS AND OFFICERS

*Hyman Bessin, *President*

John J. Dawson, *Vice-President, Ontario*

*George Forzley, *Senior Vice-President and General Manager*

Henry R. B. Kirkpatrick, *Vice-President*

*Nathan Starr, C.A., *Executive Vice-President*

*Leonard Wolinsky, *Chairman of the Board*

Other OFFICERS

Victor A. Aker,
General Manager, British Columbia

Samuel H. Blank,
Vice-President, Director of Purchasing

David M. Craig,
General Credit Manager

Donald J. Dawson,
Vice-President, Manitoba

Blake E. Forrest,
General Manager, Import Division

Arnold Glass, B.Comm., C.A.,
Treasurer

Allan Ireland,
Assistant to the Senior Vice-President, Inventory Control

Leonard J. Kenna,
Assistant Vice-President, Ontario

Alex Kozma,
Vice-President, Saskatchewan

Arnold H. Main,
Vice-President, Planning and Development

William P. Marsden,
General Manager, Quebec

Norman A. Peden,
Vice-President, Alberta

Leonard G. Walker, C.A.,
Secretary

Other DIRECTORS

Donald E. Boxer, B.Comm., M.B.A.,
Investment Dealer, Director, Burns Bros. and Denton Limited, Toronto

Michael H. Caine,
Director, Booker McConnell Ltd., London, England

Philip Ashdown, B.A., LL.B., M.B.A.,
Barrister and Solicitor, Winnipeg, Manitoba

Dr. Nathan Schecter, B.Sc., M.D., C.R.C.P.(C), F.A.C.P., F.I.C.A.,
Physician and Surgeon, Ottawa, Ontario

*Donald J. Wilkins,
Chairman of the Board, Fry and Company Limited, Toronto

Joseph Wolinsky,
Winnipeg, Manitoba

Max Wolinsky, B.A., LL.B., Q.C.,
Barrister and Solicitor, Winnipeg, Manitoba

**Members of Executive Committee*

TRANSFER AGENTS AND REGISTRARS

First Preference Shares and Common Shares,
The Canada Trust Company, Vancouver, Winnipeg, Toronto and Montreal

Second Preference Shares Series A and 7½% Series A Debentures,
The Crown Trust Company, Vancouver, Winnipeg, Toronto and Montreal

Third Preference Shares are transferable only on the books of the company at Winnipeg

COUNSEL
Sokolov & Company, *Winnipeg*

AUDITORS
Thorne, Gunn, Helliwell & Christenson

FISCAL AGENTS
Fry and Company Limited, *Toronto*

LISTINGS
Toronto, Vancouver and Winnipeg Stock Exchanges

HEAD OFFICE
125 Higgins Avenue, Winnipeg 2, Manitoba

EXECUTIVE OFFICE
230 Lesmill Road, Don Mills, Ontario

Report to the shareholders

1970 was not a good year for Acklands and it interrupted temporarily a long established trend of continuous growth in sales and profits. However, though it may sound paradoxical, it is your directors' firm belief that, in spite of a loss of $3.3 million in 1970, your company is basically in a sounder position and better equipped to produce profits today than it was a year ago. This has been achieved mainly through drastic measures applied throughout the whole Acklands organization, aimed at reducing overall costs and improving profitability.

Before reviewing details of the financial statements, your directors consider it appropriate to provide shareholders with a background against which the substantial loss incurred by Acklands in 1970 should be viewed.

The reasons for this loss fall into two main categories. The first, relates to general economic conditions throughout the country and particularly in Western Canada during the past year; these are well known and it is not intended to dwell on them. The second comprises specific reasons pertinent to the operations of Acklands.

Although certain sectors of the company's operations, particularly in the automotive and industrial division, have been able to maintain reasonable profit margins, the mercantile hardware and appliance divisions were generally unprofitable. A major portion of the loss can be attributed to the cost of complete restructuring and consolidating all Ashdown's operations.

Although at the time of acquisition late in 1968, Acklands' management was fully aware of Ashdown's operational difficulties (which had resulted in increasing losses over the preceding few years), your directors were confident that they would be able to turn this company around and make its operations profitable. These expectations did not materialize. In this situation, aggravated by a steadily declining economy, Acklands' management had to take firm steps to stem the continuing drain on its own resources by Ashdown's mercantile hardware operations.

The shake-out and consolidation that followed was very costly. It included merging of Ashdown outlets with existing Acklands operations, closing of warehouses and branches, moving large quantities of equipment and stock and a drastic reduction of inventories, particularly in respect of surplus and redundant items of merchandise accumulated as a result of the consolidation program. Most of these items had to be disposed of at below-cost prices. This shake-out process reduced your company's inventories by approximately 20% in 1970 and incidentally contributed to a substantial lowering of Acklands' bank indebtedness. Altogether in 1970, and up to date, we have closed 32 outlets across Canada.

Severe business competition was also a major factor affecting profitability. Profit margins came under heavy downward pressure in order to maintain Acklands' position in the market place.

On the purchasing side reduced buying, aimed at keeping inventories low, resulted in higher unit costs.

FINANCIAL REVIEW

Consolidated sales for the year ended November 30, 1970, were $128,338,567 compared to $134,900,759 in 1969. The net loss for the period was $3,310,190 as against a profit of $3,158,436 in the previous year.

While Acklands' working capital decreased by more than $5 million to $26,227,531 by November 30, 1970, your company's liquidity has actually improved. Bank indebtedness was reduced by nearly $5 million to $13,758,000 and accounts payable decreased by over $1 million to $20.8 million. A sharp reduction in the size of inventories brought their total value down to $36 million, compared to $45.3 million in 1969. Equity per common share, assuming the conversion of all the presently outstanding third preference shares, is $6.36 compared to $8.02 last year.

Apart from generally lower profit margins and high expenses connected with the closing of operations and movement of stocks and inventories, substantial increases in other areas of cost occurred during 1970. Interest charges alone increased by $500,000 and depreciation by more than $100,000. Many other items of cost outside the company's control also showed substantial increases in 1970.

OPERATIONS

As in the past, the automotive and industrial division has been the mainstay of Acklands' business and, as a whole, continued to be the most profitable segment of its operations in 1970. This division accounted for 60.2% of consolidated sales during the year and most of its branches generated a satisfactory return on invested capital. Of the 32 company outlets which have been closed to date, only one was an automotive industrial branch. New branches were opened at McKenzie, British Columbia and St. Catharines, Ontario.

Another division related to the same industry, Western Automotive Rebuilders which re-manufactures

Production under way at Acklands Videotape Productions' studio in Toronto. View is from the control booth.

engines and other automotive assemblies in plants at Saskatoon and Calgary, also produced good profit in relation to the size of the operation.

As pointed out earlier, the largest losses were sustained in the mercantile hardware and appliances divisions. Hardest hit were the Ashdown Thrifty Valu operations which have now been closed down and the mercantile hardware part of The George Taylor operation which has also been phased out. Industrial branches of both Ashdown and Taylor hardware have been merged with Acklands. In Ontario and Quebec some branches and warehouses had to be closed where profit margins were substantially affected.

The operations of the electronics and appliances division in Alberta and Saskatchewan have been reduced. The Edmonton audio-visual centre has been moved to the larger Toronto market where a new electronics industrial branch has been opened to serve the Ontario area.

Significantly, divisions and branches marketing outdoor and leisure oriented equipment and merchandise fared well and showed good profits.

DIVIDEND POLICY

As announced earlier this year, your directors decided to omit the declaration of dividends for the first quarter of the current fiscal year on both first preferred and common shares. It is the intention of the board of directors to resume dividend payments as soon as earnings and good business sense will permit.

OUTLOOK

Unquestionably, 1970 was a very difficult year for your company, one in which major decisions had to be made to assure Acklands' continuing viability and long-term profitability. The restructuring and tightening of most of the company's divisions served, your directors believe, to eliminate many of the internal factors which contributed to last year's losses.

Steps have been taken to increase the monitoring of performance and profitability of all branches and divisions. It is management's intention to continue with the policy of closing down marginal and/or unprofitable operations.

Because of the steps taken, your management is confident that the second quarter of the current year should see a return to profitable operations even though on a reduced volume of sales.

Your directors wish to pay particular tribute to all company employees who, in a difficult period and often under most trying circumstances, worked hard towards maintaining our position as one of Canada's leading wholesale organizations.

Their loyalty and devotion to the company are gratefully acknowledged.

On behalf of the board of directors,

L. Wolinsky,
Chairman

H. Bessin,
President

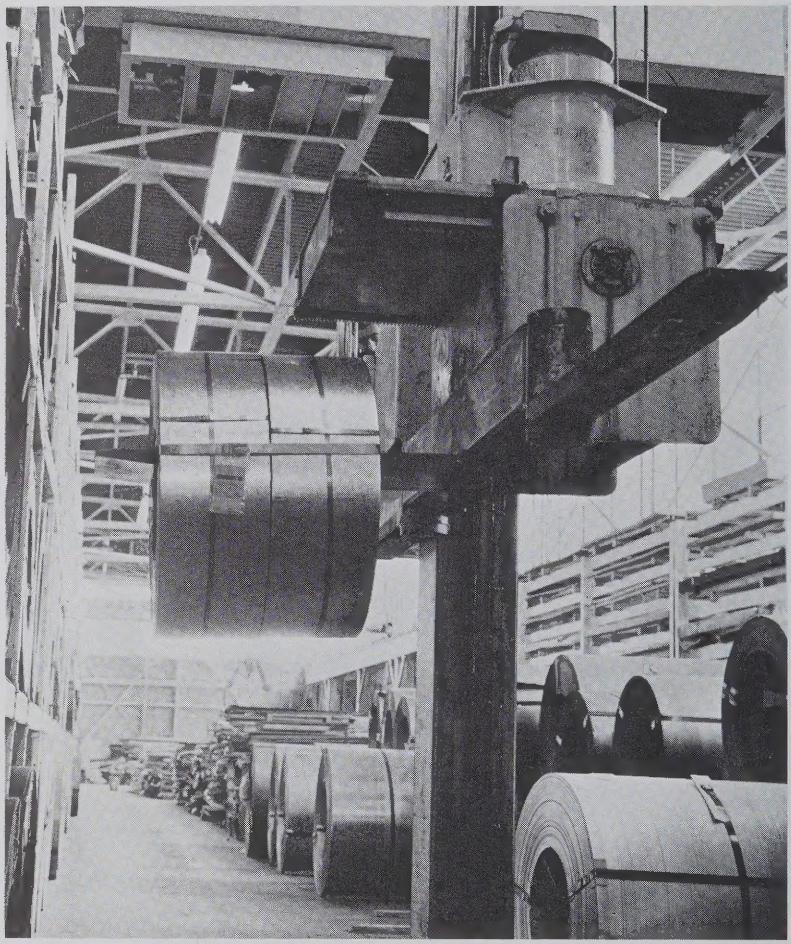
March 25, 1971

Number-coded trays make it easy to locate any wanted item from among the many hundreds of parts stocked by the Industrial Electronics Branch in Toronto.

The modern Toronto plant and warehouse of Steel Distributors Ltd.

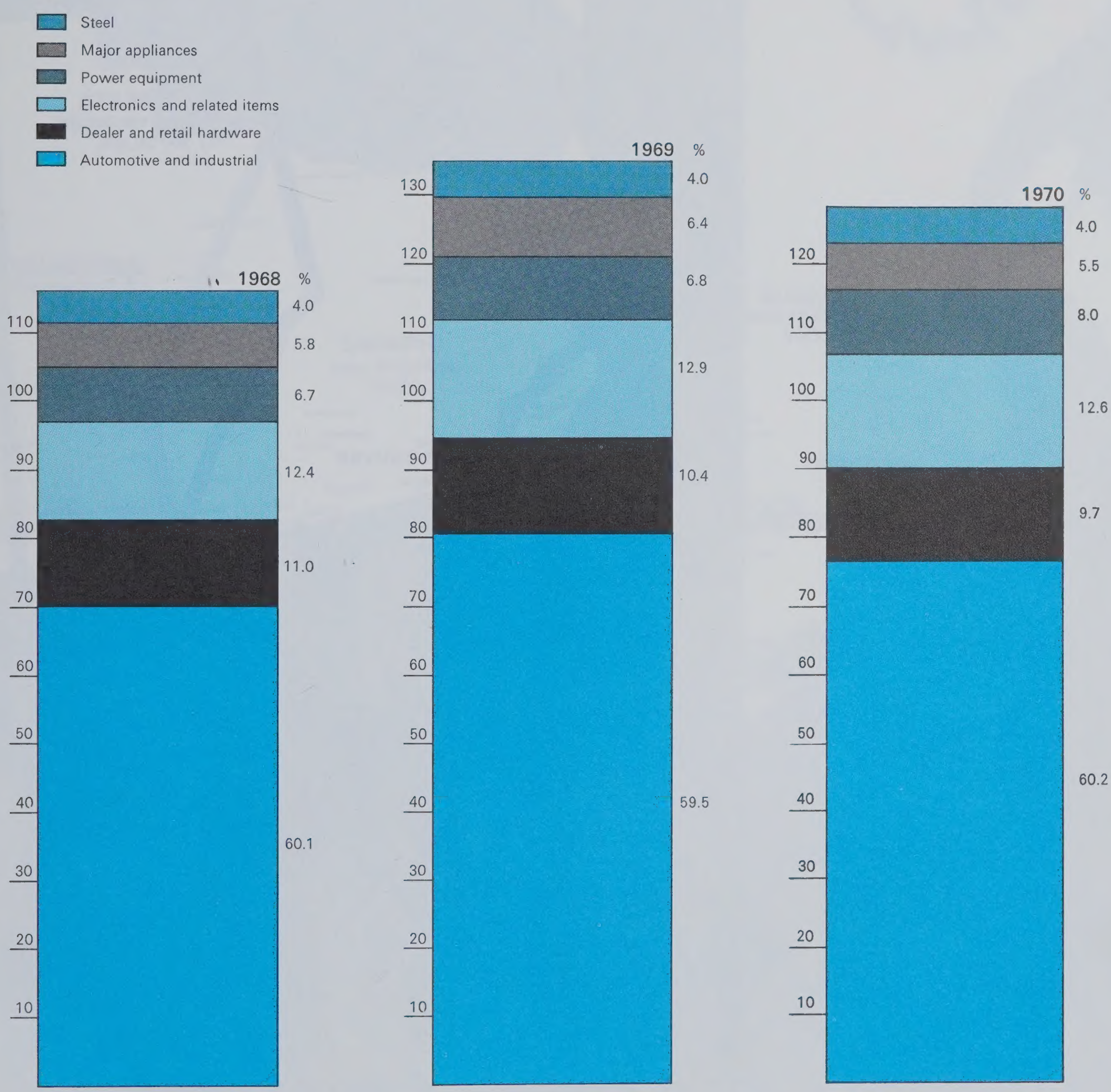
Strip steel coils are lifted for storage at the Toronto plant of Steel Distributors Limited, one of Acklands' subsidiaries.

The sales counter at the Industrial Electronics Branch in Toronto. For quick service, customer on the right uses a special "dial an order" telephone linked to a tape recorder.



Acklands' Powertown store at Lynn Lake, Manitoba, caters to a wide range of consumer needs.

ANALYSIS OF SALES



British Columbia

Campbell River, Castlegar, Cranbrook, Chilliwack, Dawson Creek, Fort St. John, Kamloops, McKenzie, Nanaimo, Natal, New Westminster, Nelson, North Vancouver, Penticton, Port Alberni, Prince George, Prince Rupert, Revelstoke, Terrace, Trail, Vancouver, Vernon, Victoria, Williams Lake

Alberta

Calgary, Camrose, Edmonton, Edson, Grande Prairie, Hinton, Lacombe, Lloydminster, Lethbridge, Medicine Hat, Peace River, Red Deer, Rocky Mountain House, St. Paul, Stettler, Westlock, Whitecourt

ACKLANDS LIMITED
179 branches in 104 centres across Canada

Saskatchewan
Assiniboia, Canora, Esterhazy, Estevan, Humboldt, Kindersley, Lanigan, Meadow Lake, Melfort, Moose Jaw, Moosomin, North Battleford, Nipawin, Prince Albert, Regina, Rosetown, Saskatoon, Swift Current, Tisdale, Unity, Weyburn, Yorkton

Manitoba
Brandon, Dauphin, Flin Flon, Fort Garry, Lynn Lake, Neepawa, Selkirk, St. Boniface, Swan River, Portage La Prairie, The Pas, Thompson, Transcona, Winnipeg

Ontario
Brantford, Dryden, Fort Frances, Hamilton, Kapuskasing, Kenora, Kirkland Lake, London, New Liskeard, Rexdale, St. Catharines, Sault Ste. Marie, Sudbury, Thunder Bay, Timmins, Toronto

Quebec
Amos, Drummondville, La Sarre La Tuque, Lorrainville, Montréal, Noranda, Rouyn, Shawinigan, Trois-Rivières, Val d'Or

ACKLANDS LIMITED and subsidiary companies
(Incorporated under the laws of Manitoba)

Consolidated Balance Sheet

November 30, 1970
(with comparative figures at November 30, 1969)

ASSETS	1970	1969
Current assets		
Cash	$ 3,465,252	$ 3,252,810
Accounts receivable	22,047,482	24,732,673
Inventories, at the lower of cost and net realizable value	36,011,980	45,309,149
Prepaid expenses	363,333	271,373
	61,888,047	73,566,005
Other assets		
Investment in 50% owned company (note 1)	323,807	195,307
Special refundable tax		74,994
Cash for first preference share purchase	50,000	50,000
Mortgages and lien notes receivable and other investments, at cost	648,756	862,733
	1,022,563	1,183,034
Fixed assets (note 3)		
Land, buildings, equipment and leasehold improvements, at cost	26,782,407	25,515,376
Less accumulated depreciation	12,710,759	12,396,850
	14,071,648	13,118,526
	$76,982,258	$87,867,565

Approved by the Board

Nathan Starr, *Director*

George Forzley, *Director*

LIABILITIES

	1970	1969
Current liabilities		
Bank advances (note 4)	$13,757,961	$18,643,259
Accounts payable and accrued liabilities	20,799,918	21,888,904
Taxes payable	459,359	574,369
Principal due within one year on long-term debt	643,278	859,708
	35,660,516	41,966,240
Long-term debt (note 5)	18,167,639	18,650,778
Deferred income taxes (note 6)	270,642	189,090
Interest of minority shareholders in subsidiary companies	317,634	394,881

SHAREHOLDERS' EQUITY

Capital stock (note 7)	18,066,468	18,063,588
Retained earnings (note 8)	4,499,359	8,602,988
	22,565,827	26,666,576
	$76,982,258	$87,867,565

Contingent liabilities (note 9)
Long-term leases (note 10)

AUDITORS' REPORT

To the Shareholders of
Acklands Limited

We have examined the consolidated balance sheet of Acklands Limited and subsidiary companies as at November 30, 1970 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at November 30, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the changes in accounting practice explained in note 2 to the financial statements, with which changes we concur.

Thorne, Gunn, Helliwell & Christenson

Winnipeg, Canada
February 10, 1971

Chartered Accountants

Consolidated statement of income

Year ended November 30, 1970
(with comparative figures for 1969)

	1970	1969
Sales	$128,338,567	$134,900,759
Cost of sales, selling and administrative expenses before the following	126,704,799	127,446,920
	1,633,768	7,453,839
Deduct		
Depreciation	938,745	812,471
Interest on long-term debt	1,432,478	1,533,010
Other interest	2,085,979	1,488,101
Remuneration of directors and senior officers	594,820	538,137
Gain on sale of fixed assets	(206,619)	(104,449)
	4,845,403	4,267,270
Income (loss) before income taxes, minority interest and extraordinary item	(3,211,635)	3,186,569
Income taxes (note 6)	128,951	1,683,011
Income (loss) before minority interest and extraordinary item	(3,340,586)	1,503,558
Interest of minority shareholders	17,003	24,002
Income (loss) before extraordinary item	(3,357,589)	1,479,556
Extraordinary item		
Income tax reduction realized on the application of prior years' losses	47,399	1,678,880
Net income (loss) for the year	$ (3,310,190)	$ 3,158,436

Earnings per share (see note 11)

Consolidated statement of retained earnings

Year ended November 30, 1970
(with comparative figures for 1969)

	1970	1969
Balance at beginning of year		
As previously reported	$8,694,147	$6,286,535
Reassessment of prior years' income taxes (note 6)	(180,919)	(180,919)
Other adjustments (note 2)	89,760	106,765
As restated	8,602,988	6,212,381
Net income (loss) for the year	(3,310,190)	3,158,436
	5,292,798	9,370,817
Dividends on		
First preference shares	53,904	54,067
Second preference shares	357,977	357,147
Common shares	381,558	356,615
	793,439	767,829
Balance at end of year	$4,499,359	$8,602,988

Consolidated statement of source and application of funds

Year ended November 30, 1970

(with comparative figures for 1969)

	1970	1969
Source of funds		
Income before extraordinary item		$ 1,479,556
Items not involving current funds		
Depreciation		812,471
Gain on sale of fixed assets		(104,449)
Income taxes		1,756,308
Increase in equity in 50% owned company		(100,609)
		3,843,277
Sale of fixed assets	$ 493,223	1,379,257
Reduction of mortgages receivable and other investments	448,818	38,608
Special refundable tax	74,994	
Other	61,049	16,776
	1,078,084	5,277,918
Application of funds		
Loss before extraordinary item	3,357,589	
Items not involving current funds		
Depreciation	(938,745)	
Gain on sale of fixed assets	206,619	
Income taxes	(128,951)	
Increase in equity in 50% owned company	128,500	
	2,625,012	
Additions to fixed assets	2,019,195	1,819,088
Reduction of long-term debt	483,139	627,760
Dividends	793,439	767,829
Purchase of minority interest in subsidiary companies	44,762	50,607
Working capital deficiency of subsidiary companies at acquisition	249,930	
Increase in mortgages receivable and other assets	234,841	252,808
	6,450,318	3,518,092
Increase (decrease) in working capital	(5,372,234)	1,759,826
Working capital at beginning of year		
As previously reported	31,780,684	30,020,858
Reassessment of prior years' income taxes	(180,919)	(180,919)
As restated	31,599,765	29,839,939
Working capital at end of year	$26,227,531	$31,599,765

Notes to consolidated financial statements

Year ended November 30, 1970

1. Basis of consolidation

The consolidated financial statements include the accounts of all subsidiary companies, all of which are wholly-owned with the exception of minority interest in preferred shares of two subsidiaries and a small minority interest in common shares of one subsidiary.

It is the company's practice to include in income its equity in net earnings of companies 50% owned and reflecting the investment in such companies at the value of their underlying net tangible assets.

2. Changes in accounting practice

In prior years the "Excess of book value of subsidiary companies over cost of shares at acquisition" has been reflected in the balance sheet under "Shareholders' Equity". In the current year, this amount, less the deferred income tax charges to which it principally applied, has been transferred to retained earnings. The company has also adopted in the current year the policy of recording the tax effects resulting from excess of depreciation recorded in the accounts over that claimed for tax purposes only as tax reductions are realized.

The figures for 1969 and prior years have been restated to reflect these changes in accounting practice.

3. Fixed assets

	1970			1969
	Cost	Accumulated depreciation	Net	Net
Land	$ 2,444,071		$ 2,444,071	$ 2,394,361
Buildings	13,507,168	$ 5,351,436	8,155,732	7,453,524
Equipment	9,735,584	6,937,401	2,798,183	2,662,931
Leasehold improvements	1,095,584	421,922	673,662	607,710
	$26,782,407	$12,710,759	$14,071,648	$13,118,526

Depreciation has been recorded on a basis to amortize the cost of the assets over their estimated useful life.

4. Bank advances

Bank advances are secured by the assignment of accounts receivable, a first floating charge on inventories and a junior floating charge on other assets.

5. Long-term debt

	1970	1969
Acklands Limited		
7½% Unsecured Convertible Debentures Series A, maturing June 15, 1988	$ 9,985,000	$ 9,985,000
Non-interest bearing notes, payable $100,000 January 3, 1971 to 1973 inclusive	300,000	400,000
7¾% First Mortgage Bonds Series A, maturing August 15, 1986, payable $200,000 February 15 and August 15, 1971 to 1986 inclusive	6,400,000	6,800,000
J. J. Dawson Limited		
5.75% Serial debentures, maturing January 1, 1970		20,000
Acklands (Quebec) Ltd. (see note)		
7% Sinking Fund Debentures, maturing May 1, 1973, payable $35,000 May 1, 1971 to 1972 inclusive with the balance payable May 1, 1973	247,500	260,000
6% to 9% Mortgages and agreements, payable in monthly instalments	1,878,417	2,045,486
	18,810,917	19,510,486
Less principal included in current liabilities	643,278	859,708
	$18,167,639	$18,650,778

Note: There are common share purchase warrants of Acklands (Quebec) Ltd. outstanding which entitle the holders to purchase 8,000 common shares of Acklands (Quebec) Ltd. at $10.00 per share and 10,580 common shares at $15.00 per share both until May 1, 1973.

6. Income taxes

(a) Certain companies have claimed for tax purposes capital cost allowances in excess of depreciation recorded in the accounts and the accumulated amount of their income taxes so deferred is reflected in the balance sheet as "Deferred income taxes".

(b) In other companies, losses for tax purposes of $6,631,097 are deductible in determining future years' income taxes payable. These losses are as follows

Year of loss	Amount of loss	Deductible to
1966	$ 242,072	1971
1967	447,566	1972
1968	1,830,468	1973
1969	601,196	1974
1970	3,509,795	1975
	$6,631,097	

In addition, with respect to these latter companies, the balance of cost of depreciable fixed assets deductible in determining income taxes in future years exceeds the net book value by $2,530,440.

The income tax effects of losses for tax purposes carried forward and excesses of tax deductible values over book values of fixed assets are not recognized in the accounts.

(c) During 1970 certain companies were re-assessed for income taxes for years ranging up to 1968. Accordingly, comparative figures for 1969 in the accompanying financial statements have been restated from amounts previously reported to reflect a net charge of $180,919, for additional income taxes. This amount relates to years prior to 1969 and has been deducted from retained earnings at the beginning of the 1969 year.

7. Capital stock

	Authorized		Issued	
Authorized and issued	Shares	Amount	Shares	Amount
6% Cumulative, non-voting first preference shares, par value $25.00 each, redeemable at $26.25 each	35,936	$ 898,400	35,936	$ 898,400
Non-voting second preference shares issuable in series, par value $16.00 each	1,000,000	16,000,000		
Series A—6% cumulative, convertible and redeemable at $17 each	373,517	5,976,272	372,793	5,964,688
Add issued during the year			180	2,880
	373,517	5,976,272	372,973	5,967,568
Third preference shares, convertible, non-participating, voting, par value $5 each	897,285	4,486,425	897,285	4,486,425
Deduct converted to common shares during the year	30,000	150,000	30,000	150,000
	867,285	4,336,425	867,285	4,336,425
Common shares without par value	2,959,955		1,571,984	6,714,075
Add issued during the year by conversion of Third preference shares	30,000		30,000	150,000
	2,989,955		1,601,984	6,864,075
				$18,066,468

	Expiry date	Price	Number of common shares reserved
Common shares reserved for issue			
Upon conversion of 7½% Unsecured Convertible Debentures Series A	June 14, 1978	$14.28	698,950
On exercise of share purchase warrants issued with 7¾% First Mortgage Bonds Series A	September 1, 1978	$14.29	45,000
			743,950

8. Retained earnings

Since it is not a significant amount, contributed surplus of $8,029 arising in prior years on purchase of first preference shares is included in retained earnings.

9. Contingent liabilities

Conditional sales agreements assigned with recourse and other guarantees total $357,166.

Outstanding bank letters of credit and bankers acceptances amount to $834,109.

10. Long-term leases

The companies have commitments under leases extending through 1995 which, after recoveries from sub-tenants totalling $2,447,034, call for future net rentals of approximately $2,898,181.

11. Earnings per share

	1970	1969
Income (loss) before extraordinary item	($1.53)	$ .43
Net income (loss) for the year	($1.51)	$1.11

The calculation of basic earnings per share has been made using the weighted monthly average number of common and third preference shares outstanding in each year and the net income of the company, both before and including extraordinary items, and after first and second preference share dividends.

Fully diluted figures are not presented since contingent share issuances would not increase the loss per share.

10 YEAR SUMMARY

Notes

1. The calculation of basic earnings per share has been made using the weighted monthly average number of common and third preference shares outstanding in each year and the net income of the company, both before and including extraordinary items, and after first and second preference share dividends.

2. In calculating fully diluted earnings per share, the weighted monthly average number of common and third preference shares outstanding in each year has been calculated assuming
   - (a) full conversion of the convertible debentures and second preference shares on the dates of issue, and
   - (b) the exercising of the outstanding common share purchase warrants on the dates of issue

Net income used in this calculation, both before and including extraordinary items, reflects a reduction in interest costs, imputed earnings on exercise of the common share purchase warrants, and the related effect on income taxes resulting from the above assumptions.

Where fully diluted earnings per share figures are not presented, it is because contingent share issuances did not have any adverse effect on earnings per share.

3. The decrease from 1966 was caused by the creation of 1,857,240 convertible third preference shares in 1967.

4. Earnings, dividends, and equity per share have not been shown prior to 1962 as these would not be comparable.

	1970	1969
SALES	$128,338,567	$134,900,759
DEPRECIATION	938,745	812,471
INTEREST ON LONG-TERM DEBT	1,432,478	1,533,010
EARNINGS FOR THE YEAR		
Including extraordinary items	(3,310,190)	3,158,436
Before extraordinary items	(3,357,589)	1,479,556
DIVIDENDS PAID		
Preference Shareholders	411,881	411,214
Common Shareholders	381,558	356,615
WORKING CAPITAL	26,227,531	31,599,765
FIXED ASSETS, net	14,071,648	13,118,526
LONG-TERM DEBT	18,167,639	18,650,778
SHAREHOLDERS' EQUITY	22,565,827	26,666,576
TOTAL ASSETS	76,982,258	87,867,565
EARNINGS PER SHARE (see notes)		
Including extraordinary items		
Basic	(1.51)	1.11
Fully diluted		.97
Before extraordinary items		
Basic	(1.53)	.43
Fully diluted		
DIVIDENDS PAID PER COMMON SHARE	.24	.24
EQUITY PER SHARE (Combined Common and Third Preference Shares)	6.36	8.02
NUMBER OF BRANCHES	*179	211

* As of March 31st, 1971

1968	1967	1966	1965	1964	1963	1962	1961
116,705,941	$ 84,834,234	$ 19,838,899	$ 16,899,600	$ 12,578,025	$ 12,272,781	$ 11,526,144	$ 9,342,251
768,405	686,758	222,874	129,921	85,530	64,677	47,306	44,849
1,019,184	538,647	153,906	128,663	109,718	104,783	80,658	73,971
3,262,772	1,950,388	451,955	286,243	183,235	169,466	105,670	207,140
1,401,314	660,388	451,955	286,243	183,235	169,466	105,670	207,140
202,110	59,082	59,731	60,000	60,000	60,000	38,800	—
170,354	83,197	58,018	45,848	45,848	40,230	40,230	75,575
29,838,796	13,515,399	3,521,439	3,319,127	2,864,230	2,421,916	2,938,422	1,429,138
13,544,421	10,157,540	2,741,504	2,770,064	1,913,436	1,784,826	1,251,377	579,863
19,291,258	8,430,044	2,431,154	2,644,004	1,565,192	1,408,798	1,506,740	814,743
23,959,400	15,790,186	4,055,455	3,628,889	3,448,494	3,121,107	3,035,871	1,471,525
79,223,651	55,653,611	12,232,692	11,062,262	8,693,763	8,394,397	7,527,987	5,505,159
1.25	.85	.81	.49	.27	.27	.18	
1.14	.82	.67	.39	.27	.27	.18	
.47	.26 (note 3)	.81	.49	.27	.27	.18	
	.25	.67	.39	.27	.27	.18	
.16	.16	.12	.10	.10	.10	.10	
6.96	6.22	6.34	5.73	5.34	5.27	5.06	
204	150	36	33	30	27	22	19

ACKLANDS LIMITED

125 Higgins Avenue, Winnipeg 2, Manitoba

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ACKLANDS LIMITED
and Subsidiary Companies

Consolidated Statement of Source and Application of Funds

	Six months to May 31, 1970	1969
Source of Funds		
Net income	$ 645,812	$ 1,317,445
Items not involving current funds:		
Depreciation	502,935	358,519
Gain on sale of fixed assets	(49,886)	(103,839)
Increase in equity in 50% owned company	51,581	—
	$ 1,150,442	$ 1,572,125
Sale of fixed assets	120,870	885,000
Issue of capital stock	320	87,368
Mortgages	179,643	—
	$ 1,451,275	$ 2,544,493
Application of Funds		
Additions to fixed assets	574,772	334,852
Reduction of long-term debt	354,583	416,439
Dividends	395,283	373,436
Investment in subsidiary companies	—	72,368
Other	(6,364)	486,880
	$ 1,318,274	$ 1,683,975
Increase in working capital	133,001	860,518
Working capital at beginning of period	31,780,684	30,020,858
Working capital at end of period	$31,913,685	$30,881,376

ACKLANDS LIMITED
Head Office: 125 Higgins Avenue, Winnipeg, Manitoba

Acklands Limited

Interim Financial Report

for the six months ended May 31, 1970

To the Shareholders:

On behalf of the board of directors, I present the results of your company's operations for the six months ended May 31, 1970, with comparative figures for the same period in 1969.

Although your company was able to attain a level of sales slightly higher than last year, net earnings for the six months' period of $645,812 were substantially lower than in 1969 ($1,317,445).

This decline was due to a number of circumstances mostly connected with outside economic factors.

Western Canada has been experiencing a period of labour unrest affecting not only the lumber and construction industry but exercising a depressing effect on overall business activities.

This has found an expression in increased competition for every dollar's worth of sales and, as a direct consequence for your company, in reduced profit margins.

At the same time higher interest rates paid on outstanding bank loans increased Acklands' cost of doing business by more than $360,000 over the comparative figure last year.

Other factors contributing to lower profits for the period were higher wages and larger depreciation write-offs.

Your management has taken drastic steps to reduce overhead expenditure and to improve further Acklands' operational efficiency.

All branches across Canada are now being examined for possible economy measures, many of which have already been put into operation. Branches which do not measure up to Acklands' profit standards are being closed down or merged with profitable operations.

Constant pressure has been exerted by us in the areas of credit control and collections with the result that, contrary to the general experience in the trade, our collection percentages are better and delinquent accounts are lower than last year.

In your company's business, sales and profits for the second half of the year have traditionally been higher than those of the first half. Your directors are continuing their efforts to maintain the company's growth momentum; but unless the economy, particularly in Western Canada, shows a marked up-swing and interest rates are brought back to reasonable levels, I do not foresee an improvement in Acklands' overall profit picture for the current year, as compared to last year's results.

On behalf of the board,

Hyman Bessin

Winnipeg, Manitoba,
July 15, 1970

HYMAN BESSIN,
President

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ACKLANDS LIMITED
and Subsidiary Companies

Consolidated Financial Data*

For the six months ended May 31, 1970
(with comparative figures for 1969)

	1970	1969
Sales	$62,468,048	$62,441,536
Operating profit	725,334	1,373,076
Deduct: Minority interest (dividends on preferred shares of subsidiary companies)	9,408	9,470
Provision for corporation income taxes	120,000	150,000
Net Operating Profit	$ 595,926	$ 1,213,606
Gain on sale of fixed assets	49,886	103,839
Net Profit	$ 645,812	$ 1,317,445
Dividends paid to preference shareholders:		
First Preference	26,952	27,115
Second Preference	178,950	178,207
	$ 205,902	$ 205,322
Earnings available to common shareholders:		
From operations	390,024	1,008,284
From extraordinary transactions	49,886	103,839
	$ 439,910	$ 1,112,123
Common shares outstanding	1,601,984	1,570,940
Convertible third preference shares outstanding	867,285	898,329
	2,469,269	2,469,269
Earnings per share—on basis of common and third preference shares combined	$0.18	$0.45

*Unaudited. Gross margin estimated generally on same basis as that achieved for 1969.